



Ministry of Housing,
Communities &
Local Government

Future High Streets Fund

Business Case Guidance

Note: this guidance is for places shortlisted for Round 1 of the Fund in Aug 2019, as the timelines have been updated for these places

Introduction

This document sets out how the business case development phase of the first round of the Future High Streets Fund (FHSF) will operate. This includes information on:

- best practice in writing business cases for government funding;
- an overview of the information that local authorities will need to include in their business cases for the FHSF
- an overview of the assessment criteria that MHCLG shall be using to assess business cases
- a description of the approaches that local authorities are able to draw upon to monetise the expected benefits of their FHSF projects.

Authorities are reminded that the FHSF remains a competitive process and that there is no guarantee of capital funding for the schemes developed through their business cases. The amount of capital grant, if any, will be determined by the Secretary of State on the advice of the Investment Panel and may not represent the full amount sought by the authority.

Supplementary business case guidance

Supplementary business case guidance will be published by MHCLG this summer. This will set out the specific components that we expect to see included in the economic case and details the appraisal methods that local authorities will be able to draw upon in order to monetise benefits from FHSF activities.

Alongside this guidance MHCLG will also publish a business case template that authorities will be required to follow and complete as they produce their business cases, together with further detail on assessment criteria.

Background to the FHSF

The Future High Streets Fund is a £675 million capital and revenue grant fund to be allocated to local authorities on a competitive basis. It aims to provide infrastructure investment to help renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability. It will support wider economic growth within local areas, delivering investment and growth across regions in England to deliver our modern Industrial Strategy

MHCLG expects investment to fall under the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

Overview of the business case development phase:

The Future High Street Fund is operating a two-phase process. The first phase – Expressions of Interest – has now concluded and successful places have been invited to take part in the next phase of the Fund, full business case development.

In the business case development phase local authorities will be provided with support from Government to develop their final capital business cases. This support will take the form of grant funding towards the costs associated with business case development, and the provision of a delivery manager from within MHCLG who will act as a source of information and a critical friend to bidding authorities.

Local authorities can use this grant to engage consultants to assist with the preparation of a business case. Equally they can use this grant to fund the internal resource if they have the capacity to develop this business case 'in-house'.

Delivery managers will provide challenge to bidders as they progress their chosen schemes in their identified place. This assistance is intended to enable authorities to develop schemes of the highest quality with genuinely transformational impacts; it is not about simply choosing those authorities that are the best at writing bids.

Key dates

Local authorities will have until 17:00 on 30 April 2020 to submit final business cases to the department to be considered for funding in round 1 of the Future High Streets Fund.

In addition to this, MHCLG delivery managers will require a draft copy of all business cases no later than 17:00 on 15 January 2020. This will enable MHCLG to assess progress and offer guidance to local authorities where necessary.

Local authorities may wish to submit a draft business case at an earlier stage subject to agreement with delivery managers and so long as the business case is developed to a reasonable standard.

Summary of business case development key dates:

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| • Capacity and resource grant to be paid | September 2019 |
| • Further business case guidance circulated | September 2019 |
| • Commence inception meetings | October 2019 |
| • Early draft business case submission | 15 January 2020 |
| • Final business case submission date | 30 April 2020 |
| • Successful bids announced | Summer/autumn 2020 |

High Streets Task Force

As part of our plan for the high street, we have also announced the creation of the 'High Street Task Force' to support local places. The Task Force has been set up to serve four main aims:

- Boost local authority capacity with provision of experts
- Build placemaking skills
- Increase coordination between groups involved in high street placemaking
- Information, best practice and data sharing:

This will include support to some places in business case development and we will be in touch with further detail in due course. We may, with your permission, share your business case with the Task Force to assist us with future policy development for high streets and town centres.

Overview of business case requirements:

Business cases that are developed and submitted by local authorities will be required to comply with HM Government appraisal guidance including:

- HM Treasury Green Book: Appraisal and evaluation in central government (found [here](#))
- MHCLG's own appraisal guide (found [here](#)) and (where applicable)
- DfT's Transport analysis guidance (WebTAG) (found [here](#))

A template that local authorities will be required to follow when completing their business cases will be published alongside further guidance on how they can complete this by MHCLG in summer 2019.

The format that business cases shall take mirrors the five-case business case model as set out in the published HM Treasury Green Book and as such will include information relating to:

- a) **Strategic case:** setting out the rationale for activity and the objectives of the proposal. It will be used to assess the extent to which proposals successfully meet the overall objectives of the fund.
- b) **Economic case:** including an appraisal of a number of options and a robust assessment of the predicted costs/ benefits of the project. This is used to assess the overall value for money of projects.
- c) **Commercial case:** setting out the delivery model including procurement and commercial arrangements that are needed to implement the project. This is used to assess whether the proposal can be effectively delivered and is commercially feasible.
- d) **Financial case:** Including details on the costs of the project demonstrating that the preferred option can be delivered successfully within the funding available.
- e) **Management case:** setting out the planning and practical arrangements for implementing the project, including any risks and monitoring and evaluation. It is used to assess if the proposal is practically deliverable.

As part of the business case authorities will be required to set out what evidence their proposal is based on. Specifically, authorities need to explain what evidence or analysis they have drawn on to ensure the interventions being proposed will work to successfully deliver the outcomes that they seek as well as the evidence used to calculate expected benefits of proposals.

In accordance with the Green Book and HMT [Magenta Book](#) guidance on evaluation, authorities that receive funding through the Future High Streets Fund will be required to comply with necessary monitoring and evaluation arrangements. Further detail on monitoring and evaluation requirements shall be published by MHCLG in due course.

Overview of assessment process:

The Future High Streets Fund team in MHCLG has overall responsibility for the assessment and moderation of business cases submitted by local authorities to the Future High Streets Fund. Where necessary consultants will be procured by MHCLG to support with the delivery of this assessment and moderation.

Other government departments and MHCLG policy teams will have the opportunity to comment on bids at the assessment stage and these comments will be taken into consideration during assessment. Where applicable, other government departments' knowledge of specific infrastructure delivery will be used to inform our assessment of business cases.

Successful authorities will be required to comply with monitoring and evaluation arrangements which will be published by the department in due course.

Structure of assessment process

Business cases will initially be assessed against a number of gateway criteria. All gateway criteria are pass/ fail. If a business case does not meet any of these criteria it will be deemed to be ineligible for funding and will not be assessed further by the department. Business cases that pass all of these gateway criteria will then be assessed by MHCLG.

Business cases will be assessed against three main criteria: Value for Money (the economic case), the Strategic fit of projects (the strategic case) and their deliverability (covering the commercial, financial and management cases). Each of these has a weighting which will be used to calculate final scores for each business case, as detailed below

Assessment criteria	Weighting %
Value for Money (in accordance with HMT guidance, and departmental guidance where applicable)	50%
Strategic fit of the proposal	20%
Deliverability (made up of the commercial, financial and management cases)	30%

Following the assessment, business cases will be scored and ranked using the proposed weightings. The assessment team will review these rankings and make recommendations about which business cases will receive funding in the first round of the Future High Streets Fund.

In making their recommendation the Investment Panel will also take portfolio-level considerations into account, including the geographic distribution of the bids, the spend profile of the fund and wider economic considerations.

Please note that it is expected no more than 5% of funding to be directed towards superficial changes to the high street but should be projects that are in keeping with the objectives of the Fund to address structural changes to the high street. As we set out in the Prospectus for this Fund, the objective of the Fund is to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability.

Gateway criteria

Business cases will need to demonstrate that they meet the below gateway criteria. Each of these criteria are considered to be pass/ fail. If a business case fails on any of these criteria it will not be considered eligible and will therefore not be assessed for Value for Money, Strategic fit and Deliverability.

1. Demonstrates market failure

The business case provides evidence that:

- a) There is a market failure in the area covered by the scheme that requires grant funding from government.
- b) The scheme could not achieve adequate funding through other reasonable routes e.g. private sector funding without government support
- c) The market failure experienced in the area covered by the scheme can realistically be addressed through investment of the nature and size of the Future High Streets Fund

2. Delivers investment

The business case provides evidence that the scheme will deliver investment of the kind described in the Future High Streets Fund prospectus:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology
- Does not focus on surface-level ("beautification) projects that only make a difference to the appearance, rather than the use, of the area or those that would not have a long-term impact.

3. Meet the spending timetable

The business case demonstrates that the scheme can be delivered on time and funding spent within the available programme budget.

FHSF capital spend is to be profiled across the financial years 2020-21 to 2023-24. The FHSF funding element of projects must be completed no later than 31 March 2024, although third party funding can be profiled to be spent after the FHSF funding window has expired

4. Demonstrates co-funding for the scheme

The business cases provide evidence that co-funding is committed to support the scheme subject only to the outcome of the bid to the FHSF.

Business cases that pass all of the gateway criteria are assessed against the 3 key criteria set out in the table above. Each of these has their own assessment process and will be assessed by different teams.

Assessment criteria

A: Value for Money (VfM) assessment (50% weighting)

The Value for Money (VfM) assessment of business cases consists of two separate elements:

Part 1.

All schemes need to demonstrate that they deliver good overall Value for Money. This will be assessed via a VfM assessment where business cases are required to monetise economic impacts and scheme costs. This is to ensure that we are not funding projects that we judge to be poor value for money.

Authorities will need to demonstrate a central benefit cost ratio (BCR) of at least 2.0:1 to be considered for a full assessment.

MHCLG will consider business cases with lower central BCRs where:

- a) The business case has a particularly strong strategic case
- b) The business case details significant non-monetised benefits associated with the project
- c) The local authority has a strong justification for why their central BCR is below 2.0:1

If MHCLG believe that an authority has been able to demonstrate any of these exceptional circumstances sufficiently the department will consider business cases with central BCRs of between 1.5:1 and 2.0:1. The decision to consider business cases with central BCRs of below 2.0:1 is at the discretion of MHCLG.

Part 2.

Business cases that are able to demonstrate good value for money through their central BCR will then be assigned an overall Value for Money score. This score will be informed by comparing the economic case of each individual business case to the whole cohort of business cases submitted to round 1 of the Future High Streets Fund.

Measuring value for money:

In business cases local authorities will be required to model expected benefits and costs which will be the basis of the department's assessments of business cases. Underlying calculations and assumptions will be heavily scrutinised and where necessary moderated to arrive at agreed final Value for Money scores for each bid. Key sensitivities and risks must be presented by local authorities alongside central estimates.

1. Central monetised benefits

For part 1 of the VfM assessment local authorities are required to produce a "central BCR" to demonstrate that the project represents sufficient overall value for money.

The benefits that local authorities are able to include in this central BCR, and the methods that they are able to use to monetise these, are set out below. These benefits

represent those which align most closely with the core aims and objectives of the Future High Streets Fund as set out in the fund prospectus. These methodologies comply with published HMG appraisal guidance.

Bidders should include a statement in their business cases confirming that the benefits being attributed to their proposal are unique to that proposal and are not being double counted as benefits in relation to other applications or awards of central government funding.

Please note that the value for money case should not focus on surface-level (“beautification”) projects that only make a difference to the appearance, rather than the use, of the area or those that would not have a long-term impact.

2. Land Value Uplift (LVU):

Land value uplift measures the change in value of a piece of land between its old use, and its new use following the intervention. Land value uplift can also be used to account for external impacts of development e.g reduced overcrowding and improved health outcomes. A full breakdown of how land values are calculated, and how the land value uplift methodology is applied can be found in the MHCLG appraisal guidance.

Under the FHSF, land value uplift may be used to monetise:

- Increase in land value from town centre regeneration e.g. the transformation of vacant retail units into office space and other uses.
- Increase in land value from new town centre housing.

3. WebTAG guidance:

WebTAG (transport analysis guidance) provides the methodology for valuing a wide range of benefits arising from transport developments. Guidance is provided for calculating direct impacts on transport users and providers, economic impacts, environmental impacts and social and distributional development impacts of transport developments. Full transport analysis guidance (WebTAG) can be found online.

Under the FHSF, WebTAG guidance may be used to monetise:

- Small scale transport projects e.g new bus routes and timetabling.
- Town centre infrastructure improvements e.g. new road networks.

In order to avoid **double counting**, benefits from infrastructure/transport should only measure those not already captured through land value uplift to monetise regeneration/housing (or vice versa). It is important to ensure that when monetising journey time savings (level 1 of WebTAG), those to *new homes* are not included in the calculation. The LVU calculation should assume any infrastructure funded by the FHSF is already in place. This is to account for the fact that reduced journey times are likely to increase the value of land.

Public Accounts impacts that do not directly affect the FHSF budget, such as Indirect Tax Revenues which accrue to the Treasury and impacts on users and providers that might commonly be referred to as costs, such as in the case of transport

developments, fuel costs or public transport operating costs, should be included in the Present Value for Benefits (PVB).

The present value of benefits should be directly compared against the present value of costs, in order to calculate a benefit-cost ratio which reflects the **net present value** of the intervention. The green book schedule of discount rates should be used. Further guidance on CBA can be found in each of the appraisal methodologies.

4. Supporting and non-monetised benefits

For part 2 of the VfM assessment local authorities will be required to set out details of all expected benefits of their schemes including those not captured in their Central monetised benefits as set out above.

Where possible local authorities should seek to monetise these wider benefits in a way that complies with published HMG Appraisal Guidance. Where this is not possible authorities should look to monetise benefits through alternative methods. Where relevant authorities should also include any non-monetised impacts in their Value for Money assessment.

Any non-monetised impacts and monetised benefits captured through non-compliant methods will be scrutinised during assessment to ensure that VfM assessments are based on robust assumptions and are reflecting true potential impacts of schemes.

Further guidance on how non-monetised benefits can be assessed will be included in supplementary business case guidance.

B: Strategic fit (20% weighting)

The strategic fit of proposals shall be assessed taking into account the local need for investment, local support for the proposed projects, whether the proposal meets the objective of the Future High Street Fund, which is to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability.

When assessing business cases MHCLG will consider a balance of strategic fit considerations to produce a score for strategic fit rather than scoring each section individually.

Please note that it is expected no more than 5% of funding to be directed towards superficial changes to the high street but should be projects that are in keeping with the objectives of the Fund to address structural changes to the high street. As we set out in the Prospectus for this Fund, the objective of the Fund is to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability.

The table below summarises the key elements that will be taken into consideration when assessing strategic fit. Business cases will need to perform well across all of these areas to receive a high overall score.

<p>Meeting the objectives of FHSF</p>	<p>Does the overall approach the proposal takes to infrastructure delivery align with the objectives of the Future High Streets Fund:</p> <ul style="list-style-type: none"> • Is the project likely to deliver transformative change in the town centre area? • Is there evidence that the delivery method/ approach of the project can be successful? • Will the proposal unlock further investment and growth?
<p>Local need for investment</p>	<p>Does the business case include evidence that there is a need for the proposed investment?</p> <ul style="list-style-type: none"> • Is there evidence of a need for infrastructure investment? • Are the proposed activities / investment in line with the needs identified in local plans and the business case? • Does the proposal maximise private sector investment?
<p>Local support for proposal and wider scheme benefits</p>	<ul style="list-style-type: none"> • Does the scheme demonstrate joint working between local partners to support the strategic objectives? • Does the scheme have support from relevant local stakeholders? • Does the scheme have support from the local community including local businesses and the private sector? • Does the scheme help to meet other departmental or government strategic or policy objectives? For example how does the scheme support the aims of the Industrial Strategy, government's long-term plan to boost productivity and earning power across the United Kingdom. How does it support delivery of the relevant Local Industrial Strategy.

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Scoring matrix

Scoring	
Very high	<ul style="list-style-type: none"> • Clearly demonstrate how the proposal will meet FHSF objectives • Clearly evidence the need for investment and how the proposal will meet this need • Clearly evidence that the proposal can deliver transformative change • Clearly demonstrate sufficient support for the proposal and engagement with the local community including the private sector
High	<ul style="list-style-type: none"> • Demonstrate how the proposal will meet FHSF objectives • Evidence the need for investment and how the proposal will meet this need • Evidence that the proposal can deliver transformative change • Demonstrate sufficient support for the proposal and engagement with the local community including the private sector
Medium	<ul style="list-style-type: none"> • Some evidence on the need for investment and how the proposal will meet this need • Some evidence that the proposal can deliver transformative change • Demonstrate some support for the proposal and engagement with the local community including the private sector
Low	<ul style="list-style-type: none"> • Demonstrate some plans of the need for investment but will no evidence • Show limited evidence that the proposal can deliver transformative change • Demonstrate some plans for engagement with the local community and plans to gain local support but with no evidence of the support.
Very low	<ul style="list-style-type: none"> • Show no evidence of the need for investment • Show no evidence that the proposal can deliver transformative change • Show no plans to gain local support and no evidence of engagement or support of the local community.

C: Deliverability (30% weighting)

It is important to demonstrate deliverability of the projects proposed by Local Authorities for the Future High Streets Fund.

Deliverability will be assessed through a combination of an evaluation of the Commercial, Financial and Management Cases of the Business Case, and an evaluation of the independent assessment as to “Deliverability” referred to below.

The Commercial Case of the Business Case should demonstrate how the project is being structured so as to manage risks, and should demonstrate the Bidder’s ability to act as an intelligent client;

The Financial Case should include “robust” whole lifespan costings, with sufficient margins and contingencies for all known risks, and should identify how any potential “funding gaps” are to be addressed, including delivery costs which are not capable of being capitalised into the capital cost of the scheme in accordance with local authority accounting methods. Contingencies should be expressed separately with a clear indication of the events to which they relate. In line with other Government funded schemes contingencies will be held by the fund and released in the event of an occurrence of the event referred to.

The Management Case should include all the key ingredients one would expect in a Project Initiation Document, so that all the Project Team and Stakeholders are clear on Objectives, Time, Quality, Output Criteria, Risk Management, Stakeholder/Comms, Configuration and Change Management etc.

Bidders should provide an independent assessment of the deliverability of their scheme within the budget set out in their bid and the timescales of the Fund. Bidders will note that the Fund requires that all Fund provided capital must be spent (not simply committed) by 31 March 2024.

Such independent evidence could include an assessment by a third party appropriately qualified consultant (i.e. not a consultant retained by the bidder in connection with the preparation of its bid) or a building or design professional with appropriate qualifications and a track record in the delivery of schemes similar in scale and content to the bidder’s proposal.

Further detail will be set out in due course.